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DEPT FOR EUR DAS KENNEDY, EUR/SE AND EUR/ERA

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SUBJECT: EU GAME PLAN ON TURKEY AND NORTH CYPRUS

Classified By: USEU/POL Harry O'Hara, reasons 1.4 b/d.

11. (C) Summary: A number of European Commission officials expressed concern to visiting EUR DAS Ambassador Kennedy on January 27 about the inability of the member states to free up the trade and financial assistance package to north Cyprus that the Council had approved in July 2004. They also worry Cyprus could create additional difficulties as the EU and Turkey move towards starting accession talks in October 2005. Commission officials also preview how they hope to work with Turkey in coming months to keep momentum going without raising domestic internal public EU fears about Turkey. End Summary.

12. (SBU) Ambassador Kennedy met with a wide of European Commission, Council, Presidency officials during her January 26-27 meetings in Brussels. They included EC director-general Fabrizio Barbaso in DG-Enlargement; Cabinet advisor on Turkey and Cyprus Jean-Christophe Filori; EC Director Pierre Mirel for Turkey and Cyprus; EC head-of-unit for Cyprus, Leopold Maurer; EU head of unit for Turkey, Martin Harvey; Council Secretariat Director General Robert Cooper and Council Secretariat expert on Turkey, Gabriele Scaramucci; Council Policy Unit head Christoph Heusgen and his deputy Kees Van Riij; Luxembourg President Rep (and Ambassador to Spain and Turkey) Senningsen and Luxembourg MFA expert Jean Delvaux; Turkish Ambassador to the EU Demiralp and North Cyprus "Prime Minister" Talat. She was accompanied by USEU/POL O'Hara. (Conversation reported in USEU today January 28 and summary emailed to EUR/SE and Embassy Nicosia)

Commission Blocked on North Cyprus

13. (C) Commission officials in DG-Enlargement (responsible for Turkey and North Cyprus) are deeply worried by the inability of the Luxembourg Presidency and the member-states to convince Cyprus to play a more constructive role. They believe that an "unsolved Cyprus problem" affects North Cyprus and also how the EU handles Turkish accession between now and October 3. Both the Commission and the Turkish Ambassador to the EU told Ambassador Kennedy that this is "too long a time" for EU "inaction."

14. (C) On North Cyprus, Cyprus is blocking modification of green-line regulations to allow more trade (current value: 150,000 euros/month with most traded item being toilet paper); July 2004 Commission proposal to permit greater north/south trade and the release of 259 million Euros in a financial aid package for North Cyprus. In addition, the Commission is unhappy with Cypriot harassment of EU officials working in Cyprus.

Green-line progress

15. (C) Commission officials told us, however, that they are getting signals that Cyprus might permit a modification of green-line regulations to allow processed goods to be traded (currently blocked) and also to increase the value of goods for personal use to be carried across the border from 30 euros to 175 euros per person. Since the liberalization of the green line, the EC estimates that close to 500,000 Euros has been traded - much less than had been expected. On the more positive side, the EC has observed an increase in the number of people from North Cyprus working in Cyprus. Ambassador Kennedy suggested that the Commission could do a study of green line trade as a way to increase attention to the need by the member-states to do more on to increase it. EC DG-Enlargement Director General Barbaso asked the Cyprus unit to pull something together to capture this. Barbaso also said that while he had been disappointed that the member states hadn't approved green line changes, he believed that getting progress on the green line could be an important confidence building measure that might help convince member states to move on the trade/aid package. (Update: On February 4, the EC and Cyprus signed a preliminary

agreement designed to increase trade over the green line. The agreement will need to be formally approved by the member states.)

Trade/Assistance Package: next steps

16. (C) Even though the Commission complained that the Luxembourg Presidency had not followed through on a promise to put the stalled trade and aid package on the January 31 General Affairs and External Relations Council meeting, they acknowledged it would most likely have remained blocked by Cyprus. They also acknowledged that TRNC "PM" Talat had been pushing them on trade and not to decouple trade and the aid package. The Commission has agreed that until after elections in North Cyprus that they would not decouple. But, as Commissioner Rehn cabinet advisor on Turkey and Cyprus told us, the Commission wants to work with the member states to get the financial assistance package rather than nothing. What the Commission hopes is to convince the Luxembourg Presidency to put on the COREPER agenda financial assistance for North Cyprus in what is being called here "decoupling in time but not in substance." The Commission hopes that the member-states will not accept a Cypriot condition that the location of the headquarters from programs in the package for North Cyprus be in the South.

UN, not EU, for Cyprus

17. (C) Commission officials told us that the EU also wants the UN reengaged in Cyprus but does not want another failure. The Commission believes that EU member states, the US and other countries need to keep pressing on Papadapoulos to say what wants rather than what he doesn't want. The Commission told us that it continues to oppose a Cypriot trial balloon to have the EU replace the UN.

Running out of money in North Cyprus?

18. (C) The Commission head of unit for Cyprus told us that he is worried that the Commission's current programs in North Cyprus could run out of money by the end of 2005 and then when they do get new money they will have a shortened timeframe to approve projects in the North (deadline end of CY 2006) and spend money (by the end of CY 2009). Currently the EC is concentrating on agri-business, teaching how to adapt to various EU acquis requirements, improving the process of issuing certificates of origin, and facilitating greater trade across the green line. One positive new development is that now that Turkey is officially a candidate country, the EC can work with Turkish companies located in the North.

Turkish Accession and Cyprus "unreined"

19. (C) On Turkey, the Commission believes that with no one in the EU willing to get Cyprus to "act more like Europeans" or to control them, it is better to avoid giving Cyprus opportunities to create additional difficulties for Turkish accession. Currently the Commission is fending off an effort by Cyprus to interpret the December 17 Council conclusion that Turkey will sign a customs protocol as a requirement that Turkey open its ports to Cypriot ships. Already the Commission has decided to move its accession partnership agreement with Turkey from March/April 2005 to November 2005, well after the October 3 date for the beginning of accession talks. Commission sources tell us that the accession partnership document (which essentially is a roadmap provided by the Commission to a candidate country that provides them with short/mid-term priority things to do) has to be approved by all member-states. The Commission does not want to provide Cyprus with this opportunity.

110. (C/NF) Also indicative of the Commission's unhappiness is that they called in the Cypriot Perm-Rep January 25 for a meeting with DG-Enlargement chief of staff who told Cyprus to stop being so negative. When they told this to us, they asked that we not share this because they had not told the Luxembourg Presidency of their action. In our meeting with DG-enlargement officials, DG Director General Barbaso felt compelled to remind his unit heads and directors that despite their frustrations with the Presidency, they need to go softly with the Luxembourgers. We also felt that his remark was also a bit directed to us and we were reminded on more than one occasion that small countries are very sensitive to being pushed around by bigger countries both in and out of the EU. Commission officials also questioned the impartiality of Luxembourg Amb. Fernand Karthausen who is accredited to Cyprus and Greece. He is Luxembourg's EU point man on Cyprus by is regarded as heavily pro-Greek Cypriot.

More Unease over Luxembourg Presidency

111. (C) Turkish Ambassador to the EU Demiralp expressed

his concern over the Luxembourg presidency. He said that he was concerned by a "sentimental solidarity" between Luxembourg and Cyprus, two small-states. He also noted that he had not detected any "will" by Luxembourg to move ahead on the trade/assistance package for Cyprus. Demiralp wondered if the Luxembourg Presidency was prepared to spend its capital to move ahead on political issues (like Turkey) or would it try to focus on economic issues.

Luxembourg Presidency Dilemma

¶12. (C/NF) Jean-Paul Senninger, the Madrid-based Luxembourg Ambassador to Spain and Turkey, told us privately that the Luxembourg Government is in fact talking with the Cypriot government to get them to act in a more responsible "European" fashion. He stressed that Luxembourg's discussions were useful because it was a conversation between small countries, neither of whom like to be bullied by big states (or for that matter, the Commission), and that Luxembourg had a lot of experience working the EU system to its advantage. He noted that the Luxembourg government will seek to use a visit by Papadopoulos during the second half of February to pass these messages. From our perspective, it is not clear that other member states or the Commission were aware of Luxembourg's efforts.

COSEE Highlights

¶13. (C) At the January 26 US/EU COSEE experts meeting, Senninger was quite insistent that dialogue between the Presidency country and Cyprus was intense. He noted that the Presidency would be in Ankara February 27-28 for meetings and that Turkish FM Gul and Luxembourg Minister for European Affairs Nicolae Schmitt planned a separate meeting. At times, we felt that his remarks were as much directed towards the Commission officials and the UK rep in the room as they were to us.

Progress on Turkey

¶14. (SBU) In their presentation at the COSEE meeting, Commission officials previewed their intense activities in Turkey in coming months. EU political monitoring missions are planned for March and June with Association Council and Committee meetings for March and April. Civic Society exchange programs both in Turkey and in the member-states are in full swing as the number of EU/Turkey educational exchanges programs continues to increase. The Commission believes that the quality of EU/Turkey dialogue on sensitive human rights issues including torture is excellent. There remain a number of difficult issues, however, particularly on religious freedom. Senninger noted the Luxembourg Presidency was very interested in seeing Turkey make progress on religious freedom. He said that these and other issues would be discussed at the EU/Turkey troika meeting in Ankara on March 7. After expressing his appreciation for US reporting on religious freedom in Turkey, he wondered if perhaps this would be a theme that the US and the EU could explore together in further detail. (Rehn adviser Filori also highlighted to us action on the religious area, particularly the law on foundations.)

Getting the Negotiating Framework Agreement with Turkey

¶15. (C) The Commission wants to present this agreement "later rather than sooner" because it too will require approval by all 25 members. The Commission also wants to keep high-profile Turkey discussions out of the limelight until after the French Constitutional referendum (early June). The current plan is to present this agreement to the first July GAERC in the UK Presidency and allow member-states time to discuss it before approving it before October 3. The Negotiation Framework Agreement establishes the rules of the game for the accession process and covers levels of representation, number of meetings but also provides guidance on controversial topics such as safeguards and derogations. The Commission anticipates that discussion of this agreement will be difficult not only because of Cyprus but of other member state concerns on labor mobility, regional and agricultural subsidies.

(Comment:

We were struck that the Commission seemed so concerned with their internal procedures that they almost neglected to talk with us about the fact that Turkey also has to sign the agreement.) Getting Turkish agreement is not going to be automatic; in fact, Turkey has already sent a note verbale to the Commission saying that it will sign not/not an agreement with permanent derogations. The Commission hopes to preempt some problems by using its negotiating framework agreement with Croatia, which is scheduled to be approved next month, as its model for Turkey (so as to avoid debates about double standards for Turkey).

The Commission game plan: post-October 3

16. (C) While the Commission hopes to avoid another bruising December 17 last-minute "psycho-drama" over Turkey (but no one is taking bets on this), they are aware that after the UK presidency (which they expect to be helpful on Turkey) comes Austria. Commission conventional wisdom is that the Austrian Presidency will not block progress on Turkey but will not be prepared to take any bold steps. Therefore, the Commission hopes that they can open more than one chapter of accession talks by the end of 2005 and will try to open as many as they can. To make this happen, they will start with easy ones (e.g. standardization of statistics) that are not controversial (since closing a chapter requires all member states to agree). The Commission plans to simultaneously start up the screening process (a 6-8 month process) where the Commission reviews a candidate's laws and regulations to identify areas where national law has to be modified to agree with Community law. There had been some concern in the Commission that some member-states might instruct the Commission to do screening before opening up chapters for negotiation but these concerns seem to have abated for now (thus delaying accession talks until well into 2006). After Austria, the Finns will have the Presidency at the end of 2006 and the Commission is optimistic that the Finnish Presidency will be proactive and helpful on Turkish accession.

The famous "additional protocol:" the Ankara Agreement

17. (C/NF) The Commission recently submitted the additional protocol to Turkey per the discussion at the December 17 European Council. What the Commission wants is for Turkey to agree to it by initialing the agreement. Turkish Ambassador Demiralp told us that there is no legal equivalent to this under Turkish law; namely Turkey "signs" rather than "initials" agreements. (For that matter, the Commission is also struggling with the December 17 Council requirement that the protocol be signed - for the Commission, protocols are not/not normally signed.) While Demiralp does not know how his government will respond to the EC, he was aware of the EU's bureaucratic needs - namely that the Commission needs Turkey's approval so that the document can be approved by the Council (consensus decision), then go to the European Parliament for its assent (a process that could take up to 3 months) and then back to Turkey for its signature before October 3. The Commission informally provided us a copy of the "additional protocol" (faxed to EUR/ERA Volker/Bono) and asked we not reveal that we have it as a number of member states don't have it either.

18. (C) The Commission hopes to get something from Turkey by the end of February indicating "agreement" on the protocol so that they can start this process. The EC believes that this has to be done before Cyprus will approve the negotiating framework agreement for Turkey. In addition, the Commission is nervous about an argument being made in Brussels by Cyprus that a Turkish "signature" is not enough; rather what the EC should demand is "provisional implementation" of the protocol. The legal services of DG-enlargement interpret this as meaning "concrete deeds" before October 3. One example apparently cited by the Cypriots would be the use of Turkish ports by Cypriot ships.

Turkey will sign but...

19. (C) Demiralp assured us that Turkey will follow through on its promise to sign the protocol but the government will not submit it to the Turkish Parliament. Implementation of the protocol will take place but in the context of the negotiations and not as a precondition. Turkey is considering an additional declaration at the time of its signing that repeats that signing this does not mean "recognition." Commission officials are aware that Turkey is considering this "extra" declaration but hopes that somehow Turkey might avoid doing this. What the Commission fears is that Cyprus will seize on this as another occasion to create mischief.

NATO/EU

20. (C) When asked by Ambassador Kennedy for an update on Turkish blocking of Cyprus and Malta from NATO/EU meetings, Demiralp replied that Ankara is working on this issue and will get back to us in due course. He agreed that this was important and took on board our point that NAC/PSC dialogue was deteriorating.

21. (U) Ambassador Kennedy cleared this cable.

Schnabel

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